

MEMORANDUM FOR: All Secretary's Representatives, Senior  
Community Builders, Hub Directors, Program  
Center Directors, Supervisory Project  
Managers

FROM: Willie Spearmon, Director, Office of Business Products,  
HTB

SUBJECT: Annual Base City High Cost Percentage Revisions  
for 2000

In accordance with Chapter 5, paragraph 5-6 of HUD Handbook 4425.1 REV-2, Underwriting Technical Direction for Project Mortgage Insurance, we have reviewed the High Cost Percentages (HCP) for each Base City.

Please observe that there is now a single set of Base City HCPs for 2000. This is due to a change made in 1999 to the Regulatory Limits for Capital Advance Programs. Section 202 apartment limits were increased by 20 percent to correspond to the Statutory Limits for Section 221(d)(3); and Section 811 limits for Group Homes were also increased by 20 percent. Accordingly, the same HCPs used for Statutory Mortgage programs now apply to Capital Advance programs, with certain exceptions (see below). Each Base City HCP has been recalculated and the results are reflected in the attached list of authorized Base City HCPs, which are effective January 1, 2000.

Hub Offices and Program Centers affected by changes in their Base City HCPs should immediately review and adjust, as necessary, the HCPs for their associated Key Localities, as explained in HUD Handbook 4425.1 REV-2 Chg 1.

EXCEPTIONS:

A. CITIES THAT EXCEED THE STATUTORY GEOGRAPHIC MAXIMUM HCP OF 210 PERCENT:

The Statutory geographic maximum HCP is 210 percent for FHA Statutory mortgage programs, versus the Regulatory geographic maximum HCP of 240 percent for Section 202 and 811 Capital Advance programs. Accordingly, cities that exceed the Statutory geographic maximum HCP of 210 percent will have two HCP listings: one that is frozen at 210 percent for Statutory mortgage programs, and another, higher percentage within the allowable limits of the Capital Advance geographic HCP. Care should be taken to ensure that these higher geographic percentages are used solely for Section 202 and 811 Capital Advance projects, and are not used for projects under FHA Statutory mortgage programs.

B. SPECIAL LIMIT AREAS:

The U.S. Virgin Islands and the states of Alaska and Hawaii are Special Limit areas. Their special limits are indicated for FHA Statutory mortgage programs, and Section 202 and 811 Capital Advance programs. Care should be taken to ensure that the appropriate limits are used for corresponding programs.

EXCEEDING ASSIGNED GEOGRAPHIC FIELD OFFICE HCPs ON A CASE BY CASE BASIS FOR FHA STATUTORY MORTGAGE AND SECTION 202 AND 811 CAPITAL ADVANCE PROGRAMS:

Under the Delegation of Authority, the Commissioner has delegated Hub Directors the authority to waive the Handbook, on a case by case basis, and exceed their assigned geographic HCP ceilings, up to Statutory or Regulatory maximums. Those Directors who choose to exercise this Handbook waiver authority must document the project file in accordance with Paragraph 5-8 of HUD Handbook 4425.1 REV-2 CHG-1.

For FHA Statutory Mortgage programs, the maximum HCP permitted by Statute, on a case by case basis, is 240 percent.

For Section 202 and 811 Capital Advance programs, the maximum HCP permitted by Regulation, on a case by case basis, is 260 percent.